

FISCAL NOTE

HB 3476 - SB 3445

February 21, 2004

SUMMARY OF BILL: Enacts the *Charitable Gaming Operators Licensing Law*. The bill would create a licensure system for any person who, for personal gain, operates charitable annual events on behalf of 501c(3) organizations. The following rules and requirements would apply to any applicant for an operator's license:

- The applicant would apply to the Secretary of State on a form that includes identifying information regarding the applicant and a waiver of privacy rights;
- Any application that contained false, misleading, deceptive or incomplete information would be denied;
- Any person convicted of theft, perjury, or any offense involving gambling or lotteries would be ineligible for a license. Also, any person who was denied a license, or had a license suspended or revoked, in another state would be ineligible for a license in Tennessee;
- Any person who met the application requirements would be required to post a \$50,000 bond in order to obtain a license;
- Any license would expire on June 30 and be renewable annually for one year;
- All applicants would give fingerprint samples and undergo criminal background checks by the T.B.I. or F.B.I.; and
- The application fee would be \$50.00, and the license and renewal fee would be \$100. All fees would be non-refundable and could not be pro-rated based upon the date of the application.

Any employee of a 501c(3) organization who operated one annual event per year as part of the person's job would be exempt from this bill's application and licensure requirements. However, any other person who, for personal gain, operated an annual event for a 501c(3) organization without a license would commit a Class D Felony punishable by imprisonment and a fine of up to \$50,000. Any person who hired an unlicensed operator would be prohibited from submitting any future application to hold a charitable annual event.

The Secretary of State would be required to maintain a list of all persons with annual event operator's licenses in good standing on its Web site. The Secretary would be authorized to assess civil penalties of up to \$50,000 for failure to comply with this bill's licensure requirements. The Secretary would also be authorized to promulgate rules and regulations to implement the licensure system for operators.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$ 73,000 One-Time FY04-05
\$840,000 Recurring FY04-05
\$ 2,000 One-Time FY05-06
\$858,000 Recurring FY05-06
\$ 3,300/Incarceration*

Increase State Revenues - \$ 9,000 One-Time FY04-05
\$18,000 Recurring FY04-05
\$13,000 One-Time FY05-06
\$56,000 Recurring FY05-06

Estimate based on the following:

- A total of 150 applications will be filed in Year 1. This total includes 25 applications from business entities (groups, corporations, associations, partnerships, etc.) and 125 applications from the entities' partners, associates and/or employees.
- A total of 340 applications will be filed in Year 2. This total includes 30 applications from business entities (10 new applicants; 20 renewals) and 310 applications from the entities' partners, associates and/or employees (210 new applicants; 100 renewals).
- Each business entity applicant will contract with an average of two organizations in Year 1 and four organizations in Year 2.
- Each year, 20% of the total number of applicants will not successfully complete the application process.
- To the extent fines and penalties are assessed and collected for violations of this law, state revenues are estimated to increase. Such increase will depend on the number of violations and the amount of each penalty. Assuming the majority of such operators are licensed, such increase is estimated to be not significant.
- The fiscal impact from enactment of this bill is estimated to result in a maximum increase in state expenditures of \$3,325 for incarceration*. This estimate is based on one conviction every three years.

Details of this estimate are shown below:

FY04-05 Expenditures

Personnel costs	\$537,552
Benefits	215,021
Travel	7,000
Rent	69,600
Computer equipment/printers (one-time)	42,000
Office furniture (one-time)	30,000
Printing, supplies, communication	5,000
TBI Criminal history record's check	<u>7,200</u>
Total FY04-05	<u>\$913,373</u>

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FY04-05 Revenues

Application fee – initial (150 x \$50)	\$ 7,500
Criminal history records' check fee (150 x \$48)	7,200
Application fee for successful application (120 x \$100)	<u>12,000</u>
Total FY04-05	<u>\$26,700</u>

FY05-06 Expenditures

Personnel costs (10 positions)	\$752,573
Travel	14,000
Rent	69,600
Printing, supplies, communication	8,000
TBI criminal history records' check	<u>16,320</u>
Total FY05-06	<u>\$860,493</u>

FY05-06 Revenues

Total applications: 340 (220 new; 120 renewals)	
Application fee (new applicants) (220 x \$50)	\$11,000
Renewal application (120 x \$100)	12,000
Criminal history records' check fee (340 x \$48)	16,320
Application fee for successful applications (296 x \$100)	<u>29,600</u>
Total FY05-06	<u>\$ 68,920</u>

*Section 9-4-210, TCA, requires that: *For any law enacted after July 1, 1986, which results in a net increase in periods of imprisonment in state facilities, there shall be appropriated from recurring revenues the estimated operating cost of such law. The amount appropriated for operating cost, in current dollars, shall be based upon the highest cost of the next 10 years, beginning with the year the additional sentence to be served impacts the correctional facilities population.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director